



FSE Lifestyle Announces 2020/21 Annual Results
Profit Attributable to Shareholders Increased to HK\$586.9 million

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Successfully Repositioned the Group into a Large-scale and
Unique Lifestyle Services Conglomerate

Financial Highlights

	2021	2020 (restated) ⁽ⁱ⁾	% Change	2020 (as previously reported) ⁽ⁱⁱ⁾
	HK\$'M	HK\$'M		HK\$'M
Revenue	: 6,452.7	5,656.1	+14.1%	4,882.1
Gross profit	: 1,135.1	942.8	+20.4%	760.4
Profit attributable to shareholders of the Company	: 586.9	412.2	+42.4%	309.6
Basic earnings per share	: HK\$1.29	HK\$0.91	+41.8%	HK\$0.68

The Board recommended the declaration of a final dividend of HK16.1 cents (2020: HK14.4 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2021⁽ⁱⁱⁱ⁾.

Note (i) Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control as a result of its acquisition of security guarding & event services, insurance solutions and landscaping services businesses on 19 April 2021.

Note (ii) As previously reported in the Group's consolidated financial statements for last year.

Note (iii) Together with the interim dividend of HK28.9 cents (2020: HK12.8 cents) per ordinary share paid in March 2021, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2021 will be HK45.0 cents (2020: HK27.2 cents) per share, representing an increase of 65.4% compared with last year's.

For the year ended 30 June 2021, the dividend payout ratio of the Company is 48.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2021 attributable to ordinary shareholders of HK\$416.1M (i.e. after excluding (a) the profit of HK\$162.3M made by the security guarding & event services, insurance solutions and landscaping services businesses during the period from 1 July 2020 to 19 April 2021, the day of completion of the Group's acquisition of these businesses and (b) preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2021 from profit attributable to shareholders of the Company of HK\$586.9M).

For the year ended 30 June 2020, the dividend payout ratio of the Company was 45.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2020 attributable to ordinary shareholders of the Company of HK\$267.7M (i.e. after excluding (a) the profit of HK\$37.3M made by the property and facility management services business during the period from 1 July 2019 to 16 December 2019, the day of completion of the Group's acquisition of this business and (b) preferred distribution to the holder of convertible preference shares of HK\$4.6M for the year ended 30 June 2020 from profit attributable to shareholders of the Company of HK\$309.6M as previously reported in the Group's consolidated financial statements for the year ended 30 June 2020).

27 September 2021, Hong Kong — **FSE Lifestyle Services Group Limited** (“**FSE Lifestyle**” or the “Company”, together with its subsidiaries, the “Group”) (Stock Code: 331), a leading lifestyle services conglomerate in Hong Kong, which has 3 major business segments: property & facility management services, city essential services and electrical and mechanical engineering (“E&M”) services, has today announced its annual results for the year ended 30 June 2021 (“FY2021” or the “Year”).

The year 2021 marked the fifth anniversary of the Company’s listing in Hong Kong. Since listing, the Group has adopted M&A strategies for market expansion through better utilisation of cash-on-hand and non-core assets, which in turn has provided it with broader and more diversified revenue streams. On 19 April 2021, another important milestone was reached with the successful completion of the acquisition of the security guarding & event services, insurance solutions and landscaping services businesses. As a result, the consolidated revenue and profit attributable to shareholders for the Year grew significantly by more than 80% and 260% to HK\$6.5 billion and HK\$586.9 million respectively as compare with the figures recorded for the year ended 30 June 2016. The Group’s property & facility management services and city essential services segments contributed more than half of the gross profit and net profit for the Year. As a long-term development strategy, the Group has successfully repositioned itself into a large-scale and unique lifestyle services conglomerate that has the capacity to offer a comprehensive range of services to the clients and create aspirational and sustainable developments for the city community.

As at 30 June 2021, the Group had total cash and bank balances of HK\$549.9 million (30 June 2020: HK\$894.8 million (restated)), and net gearing ratio was maintained at zero (30 June 2020: 0%). HK\$821.8 million (30 June 2020: HK\$1,004.6 million (restated)) of the Group’s banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements. The Board has proposed a final dividend of HK16.1 cents per share for the Year. Including the interim dividend of HK28.9 cents per share for the six months ended 31 December 2020, the total dividend payout for the Year is HK45.0 cents (2020: HK27.2 cents) per share, equivalent to a payout ratio of 48.7% (2020: 45.7%).

Segmental performance

The following table presents a breakdown of the Group’s profit contribution by business segment:

	For the year ended 30 June			
	2021	2020	Change	% Change
	HK\$’M	HK\$’M (restated)	HK\$’M	
Property & facility management services	134.1	80.6	53.5	66.4%
City essential services	364.3	208.2	156.1	75.0%
E&M services	112.1	148.5	(36.4)	(24.5%)
Unallocated corporate expenses and finance costs*	(23.6)	(25.1)	1.5	(6.0%)
Total	586.9	412.2	174.7	42.4%

* Unallocated corporate expenses and finance costs comprise the Company’s corporate expenses of HK\$20.1 million (2020: HK\$17.7 million) and interest expenses of HK\$3.5 million (2020: HK\$7.4 million). The corporate expenses for the Year included legal and professional fees of HK\$14.1 million incurred for the acquisition of the security guarding & event services, insurance solutions and landscaping services businesses, whereas the amount in last year included legal and professional fees of HK\$12.1 million incurred for the acquisition of property and facility management services business.

Property & facility management services

The Group's property & facility management services business, comprising Urban, including its subsidiary International Property Management Limited, and Kiu Lok, is serving one of the largest property and facility asset portfolios in Hong Kong, which provides the most comprehensive and customised professional management services for its clients. This segment, which presently principally provides services in Hong Kong, contributed 10.2% (2020: 9.7% (restated)) of the Group's total revenue. Segment revenue grew by 20.4% or HK\$111.4 million to HK\$658.2 million from HK\$546.8 million (restated). Such growth was mainly driven by newly awarded property management contracts for government buildings in the New Territories and car parks of shopping malls and pandemic-induced additional works. Gross profit increased by HK\$64.8 million to HK\$242.9 million from HK\$178.1 million (restated), with its gross profit margin increased to 36.9% from 32.6% (restated), reflected an increase in new contracts awarded in facility/property management and the receipt of COVID-19 related government grants.

On 30 June 2021, the Group expanded its property and facility management services business portfolio through the acquisition of the entire issued capital of Kiu Lok Properties (International) Limited (formerly known as Marriott Properties (International) Limited) ("Kiu Lok Properties") by its 70%-owned subsidiary, Wise Plaza Limited, at a total cash consideration of HK\$74.9 million. Such consideration is 70% financed by the Group's internal resources, which amounts to HK\$52.4 million, and 30% financed by equity contributions from Wise Plaza's 30% shareholder, which amounts to HK\$22.5 million. Kiu Lok Properties principally engages in the provision of property agency and management, and housekeeping services in Hong Kong.

During FY2021, Urban and Kiu Lok were awarded 27 service contracts (with a net contract sum equal to or exceeding HK\$1 million for each service contract) with a total contract sum of HK\$273 million.

City essential services

Segment revenue of HK\$2,976.8 million (2020: HK\$2,983.1 million (restated)) comprises provision of cleaning services of HK\$1,262.6 million (2020: HK\$1,126.9 million), technical support & maintenance services of HK\$783.6 million (2020: HK\$850.5 million (restated)), security guarding & event services of HK\$660.1 million (2020: HK\$661.9 million (restated)), insurance solutions of HK\$85.9 million (2020: HK\$86.2 million (restated)), environmental solutions of HK\$155.5 million (2020: HK\$155.5 million (restated)) and laundry services of HK\$29.1 million (2020: HK\$102.1 million).

This segment recorded a growth in its gross profit of HK\$168.1 million to HK\$623.2 million from HK\$455.1 million (restated), with its gross profit margin increased to 20.9% from 15.3% (restated), mostly attributable to an increase in new general cleaning service contracts, especially government buildings and an exhibition centre, ad-hoc cleaning and intensive disinfection projects following the outbreak of COVID-19 and the receipt of COVID-19 related government grants.

For the Group's **cleaning services business**, during FY2021, Waihong has seized the opportunity to successfully enter the government market segment through acquiring several service contracts from different government departments. Such breakthrough led Waihong to increase its revenue share ratio for the government sector from 5 to 9% for FY2021. Moreover, with the benefit from tremendous amount of sterilisation service orders, Waihong gained considerable revenue and profit during the outbreak period of COVID-19. During FY2021, Waihong was awarded 126 new service contracts (with a net contract sum equal to or exceeding HK\$1 million for each service contract) with a total contract sum of HK\$1,096 million.

For the Group's **technical support & maintenance services business** which provide renovations, repairing and maintenance services, during FY2021, it was awarded 118 projects (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total net contract sum of HK\$583 million.

The Group's **security guarding & event services business** comprises General Security and Perfect Event Services Limited ("Perfect Event") which provides security guarding, armoured transportation, security system and supporting services for event activities. During FY2021, General Security and Perfect Event were awarded 49 service contracts (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total contract sum of HK\$531 million.

The Group's **insurance solutions business**, Nova, comprising Nova Insurance Consultants Limited and International Reinsurance Management Limited, which both holds an Insurance Broker Company License granted by the Insurance Authority. During FY2021, Nova got many new clients including a hotel chain with properties in 20 countries, a property development in Southeast Asia, international contractors, listed companies, schools and non-governmental organisations and was awarded service contracts with a total value of HK\$12 million. Nova's client retention ratio has always been over 90% which ensures it a stable income.

Turning to the Group's **environmental solutions business**, it provides environmental assessment, energy efficient solutions and landscape design and maintenance services and engaged in the trading of engineering equipment and building materials. During FY2021, this business was awarded 17 service contracts (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total contract sum of HK\$41 million and 9 building material orders (with a sum equal to or exceeding HK\$1 million for each order) with a total sum of HK\$28 million.

The Group disposed of New China Laundry Group at a consideration of HK\$4.0 million on 31 December 2020. The disposal provides the Group with a good opportunity to dispose of its loss-making operation and to redeploy its resources to other profitable business divisions.

E&M services

This segment is one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services and continued to run its E&M operations in Mainland China and Macau. This segment contributed 43.7% (2020: 37.6% (restated)) of the Group's total revenue. Segment revenue increased by 32.5% or HK\$691.5 million to HK\$2,817.7 million from HK\$2,126.2 million (restated) and reflected an increase in revenue contribution from Hong Kong and Mainland China by HK\$646.0 million and HK\$52.7 million respectively, partly offset by a reduction in revenue contribution from Macau amounting to HK\$7.2 million.

During FY2021, the Group was awarded 28 contracts for E&M projects (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total net contract sum of HK\$1,723 million. Among these contracts, 6 of them are major projects (with net contract sum equal to or exceeding HK\$100 million for each project), which include a public housing development in Tai Po, 11 SKIES commercial development in Chek Lap Kok, a private residential development in Kai Tak, Chow Tai Fook Finance Tower in Shenzhen Qianhai, a complex development in Guangzhou Zengcheng and the redevelopment of Ramada Square in Shanghai.

Outlook

For the property & facility management services business, there is a growing demand of one-stop and full-service professional property and facility management services. Under the foreseeable unstable economic situation, Urban and Kiu Lok believe that large corporations and multinational enterprises will continue the trend to outsource their non-core property and facility management activities to external professional agencies, which creates new business opportunities to them. Furthermore, backed by the Group's extensive E&M experience in Mainland China, it is also exploring opportunities in and accelerating its expansion into the Greater Bay Area by means of organic growth, strategic collaboration and mergers and acquisitions.

For the city essential services business, the Group's cleaning arm, Waihong will reap the benefit from the increase in sterilisation service orders from its current and ad-hoc customers in the coming year. It will continue to explore diversified services with innovative strategies to satisfy market demands. For technical support & maintenance business, it envisages a growing demand for term maintenance, large-scale alterations and additions and system retrofits from various prestigious commercial and residential buildings, hospitals, government properties and educational institutions. The Group's security guarding & event services business is now actively exploring the potential new revenue stream of event services under this division and hopes to capture the vast business opportunities that will exist once the event and exhibition sector resumes its normal activities. Turning to insurance solution business, Nova will focus more on specialty products with higher yields and where in-depth professional skills and knowledge are required such as cyber insurance and warranty and indemnity insurance. For environmental solutions business, the Group will continue to capitalise on the public's increased awareness of environmental issues, providing total solutions that are energy efficient as well as environmentally friendly.

For the E&M services business, in Hong Kong, the government targets to maintain an annual works expenditure of over HK\$100 billion in the next few years as stated in its 2020 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in June 2021, expenditure in E&M construction works each year will amount to over HK\$24 billion for the public sector and over HK\$22 billion for the private sector over the next five years. The Group has been endeavoring to support the “Construction 2.0” initiative (Innovation, Professionalisation and Revitalisation) as launched by the Development Bureau in 2019 to capitalise on future development opportunities and scale new heights. For the Mainland China market, in recent year, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China.

Looking ahead, despite the challenges from the pandemic in Hong Kong, the Group will surmount the difficulties through its solid financial position and proven track record. It will also continue to seek new business opportunities to further expand and maximise shareholder value.

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About FSE Lifestyle Services Group Limited

FSE Lifestyle Services Group Limited (“FSE Lifestyle” or the “Company”, together with its subsidiaries, the “Group”) is a leading lifestyle services conglomerate with 3 major business segments: property & facility management services, city essential services and E&M services.

The Group’s services are being delivered through 8 major groups of companies which have all been the market leaders in their respective industries. They include Urban Group, Kiu Lok Group, Waihong Services Group, FSE Environmental Technologies Group, Hong Kong Island Landscape Company Limited, General Security Group, Nova Insurance Group and FSE Engineering Group. With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, we are able to build up a strong network and offer comprehensive “one-stop-shop” professional services to our renowned clients and main contractors who are often engaged in property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

The Group’s clientele includes the HKSAR Government, multinational corporations, owners and investors of intelligent buildings and premises, theme parks, universities, hotels and hospitals which cover all kinds of private and public facilities. We devise for our prestigious clients the optimal choices in creating cost efficiency and service excellence at all stages of their developments and operations.

Media Enquiry:

Strategic Financial Relations Limited

Mandy Go	Tel : (852) 2864 4812	Email : mandy.go@sprg.com.hk
Vivienne Leung	Tel : (852) 2864 4862	Email : vivienne.leung@sprg.com.hk
Kiki Zhu	Tel : (852) 2114 4901	Email : kiki.zhu@sprg.com.hk
Fax : (852) 2527 1196		